



CITY OF SAN ANTONIO

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Interim City Auditor
San Antonio, Texas

RE: Management's Corrective Action Plan for the Compliance Audit of the Wrecker Services Contract

City Management and the San Antonio Police Department (SAPD) have reviewed the audit report for the Compliance Audit of the Wrecker Services Contract and herein is a Corrective Action Plan for the recommendations. Having an objective review of this business unit has resulted in better information for Management to develop operating strategies for the future that will improve the facility's financial potential for the City.

Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
<u>Detailed Report</u>					
A	Contract Language:				
A.1	Clarify General Contract Language The Police Chief should work with the Contractor and City Attorney to amend the Contract to address the issues noted. Furthermore, the Police Chief should strictly hold the Contractor to all Contract terms and impose contractual penalties for non-compliance.	5	Accept	Deputy Chief Geraldine Garcia	12-01-06

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<p>Action plan:</p> <p>A.1.</p> <ol style="list-style-type: none"> 1. In order to address "loss-sharing" for uncollected fees, it will require the re-opening of the Texas Towing Contract. Buddy Ford, the owner of Texas Towing, had previously stated that he has no intention of re-opening the contract. His approval is required in order to re-negotiate the terms of the contract. The only other option for the City would be to seek to void the contract through legal action. In December 2006 Mr. Buddy Ford was contacted and has indicated he might consider reopening the contract if he benefits from the re-negotiations. Staff will consult with legal. 2. Ambiguity in the contract regarding the Contract's value was something that could have been rectified prior to the contract being signed. The contract was approved by the City in 2003, and the Contractor had repeatedly stated that he was unwilling to reopen the contract. The Contractor has now indicated that he might be willing to re-negotiate. Staff will consult with legal. 3. A copy of the Texas Towing Contract will be forwarded to Risk Management and the City Clerks Office, in order that they may become aware of their obligations under the contract, and in order that they might fulfill their responsibilities. 4. At this time it does not appear anything can be arranged in the current contract regarding the lack of significant penalty clauses in the contract for poor performance. In order to address the recommendation to impose penalties or address this issue the contract must be re-opened. The Contractor has indicated he might consider re-negotiation of the current contract. Staff will consult with legal. 5. The restrictive insurance requirements for subcontractors that are found in the Contract were negotiated in and agreed to by both parties. Changing such requirements requires re-opening the Contract, which might be possible if the Contractor is open to re-negotiation. Staff will consult with legal. 6. The Contractors fiduciary responsibility for collecting parking fines has been identified as not being clearly addressed in the contract. Adding or clarifying responsibilities involves changing the language within the Contract. The Contractor may be open to re-negotiation. Staff will consult with legal. 7. The Contract does not require billing reports to be submitted to the VSU that includes all tows under the Contract (City-vehicle tows). In order to change the terms, responsibilities and requirements under the contract the Contractor must be willing to re-open the contract. The contractor may re-negotiate. Staff will consult with legal. 8. The Contract does not require the Contractor to segregate revenue and expense data related to City business from other business enterprises for reporting and analysis. In order to change the requirements the Contractor, must re-open the Contract for re-negotiation. The Contractor may be open to re-negotiation. Staff will consult with legal. 9. The Contract lacks provisions for establishing proper electronic communication channels between the Contractor and the City. Professional and prompt communication has always existed between the Contractor and the City. There have been no complaints from VSU office in regards to this area. Adding provisions to the contract to establish specific communication channels requires changing or amending the language of the contract. The Contractor may be open to re-negotiation. Staff will consult with legal. <p>In summary, the provisions listed in A-1 will require re-opening the contract. In December 2006, the Contractor (Buddy Ford) has indicated that he may consider renegotiating the contract if he receives certain concessions. If the City is interested in renegotiating, it is recommended that the Finance office, the City Attorneys office and the City Auditors office, meet with the contractor to negotiate the listed recommendations or establish a Memorandum of Understanding for the remaining contract term.</p>					

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A.2	<p>Define and Price Hazardous Materials Clean-up Services</p> <p>The Police Chief should work with the City Attorney's Office, the WSU staff, and the Contractor to define and revise the Contract pricing language so that it sufficiently addresses all aspects of the clean-up service with fair pricing.</p> <p>Action plan:</p> <ol style="list-style-type: none"> 1. Hazardous material clean-ups require special equipment for clean-up, beyond that which is normally used for cleaning up debris at an accident that does not involve hazardous materials. The VSU considers the 15% markup on all 18-wheeler hazardous material clean-ups to be proper and contractual. Attachment IV (IIQ) of the Contract addresses the markup. A copy of this audit response will be forwarded to the City Attorneys office for their review. If the contract is indeed reopened, clarifying language may be included to satisfy City Audit's recommendation on pricing language. 2. The audit references a comment by the Contractor's Heavy Equipment Operator that is contradictory to the VSU definition of what constitutes hazardous materials. The mixing of different fluids can have catastrophic consequences. Diesel Fuel and plaquered cargo do not represent the only hazardous materials. The "Emergency Response Guidebook" contains approximately 400 pages, and is devoted to response measures for thousands of different chemicals. In summary, the VSU definition is correct. Any spill other than water (universal solvent), must receive analysis and specialized cleanup to prevent or contain hazardous conditions and/or contamination. If the contract is reopened, the city representative may be able to insert clarifying language that would satisfy the audits recommendation. 3. A more detailed "pricing schedule" may be added to the contract if the contract is re-opened. <p>The contractor stated that the charges for clean-up never exceed what is provided for in the Contract. He acknowledges that some of the subcontractors give him a discount for allowing them to do the work, but his final price (Texas Towing's bill) for any aspect of the clean-up is never more than the maximum that the Contract allows. This recommendation will be forwarded to the City Attorneys office for review.</p>	6	Accept	Deputy Chief Geraldine Garcia	12-01-06
A.3	<p>Evaluate the City's Commission Calculation</p> <p>The Police Chief should work with the City Attorney's Office and City Manager to evaluate and define how the City's commission is determined and, together with the Contractor, define the gross value of the Contract. The evaluation should consider increases in levels of service, costs, and expected return.</p> <p>Action plan:</p> <ol style="list-style-type: none"> 1. The VSU currently monitors the revenue generated under the Wrecker Services Contract, to ensure the City receives its maximum commission. Prior to the audit VSU staff recalculated what was owed to the City going back to the beginning date of the contract. The City collected what was owed from previous years and has been current for several years. Revenues owed to the City was deducted from amounts due to Texas Towing (from the City), to satisfy their financial obligation to the City. 2. Clarifying terminology may be added to the language (defining gross value for example) to satisfy the audits recommendation if the contract is re-opened. 3. Clarifying language with regards to all contractual calculations (including City-owned vehicle tow fees for example), may be added to the contract if re-opened. 	7	Accept	Deputy Chief Geraldine Garcia	12-01-06

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B	Internal Controls:				
B.1	Improve Contract Administration Plan Procedures				
	The Police Chief should ensure that a thorough and comprehensive Contract Administration Plan is put in place as soon as possible. The Plan should contain specific procedures and measures for adequately monitoring and evaluating Contractor performance. Staff should be trained and given the necessary tools to monitor all Contract requirements and evaluate performance.	8	Accept	Deputy Chief Geraldine Garcia	12-01-06
	Action plan:				
	1. The audit recommended a thorough contract administration plan to examine:				
	<ul style="list-style-type: none"> ➤ Monitoring of Performance Bond and Insurance filing requirements ➤ Contractor not meeting Small Business Economic Development Advocacy goals ➤ Subcontractor certification requirements not being met ➤ Audited financial statements not being submitted by Contractor ➤ Wrecker driver training and certifications not being reviewed ➤ On-duty wrecker drivers list not being submitted or reviewed 				
	A "Contract Administration Plan" has been implemented that will provide monitoring and administrative guidance by the WSU. If the contract is reopened, penalties to encourage compliance can be addressed.				
B.2	Leverage Contractor's Data with the City's Technology				
	The Police Chief should request that the Information Technology Services Department (ITSD) identify an automated solution that will enable the flow of City and Contractor TSR data to the ERM/SAP system. Until then, TSRs should be reconciled to the Contractor's billing statements, TOPS invoices, and VIMS to identify possible input or billing errors.	10	Accept	Deputy Chief Geraldine Garcia	12-01-06
	Action plan:				
	The audit disapproved of the Vehicle Impound Management System (VIMS), Municipal Parking Ticket System (MPTE), FASTER, ERM/SAP, and the Towing Operations Software (TOPS) programs lack of ability to interface to efficiently process needed information electronically. Staff has met with ITSD on several occasions throughout 2006 to discuss the interfacing of these systems. ITSD has stated that this can probably be done, though they are not certain of how. The possibility of privatization of the VSU will need to be determined prior to establishing a connective system. The privatization of the WSU will determine to some degree, how the system will be set up. If the contract is re-opened for re-negotiation, this issue can be addressed, along with clear directions of who will have access to programs and to what degree. TSR's (towing receipts) are currently reconciled on an Excel program. The data from each receipt is entered into the computer. The program identifies missing receipts, WSU staff contacts the Contractor. All TSR's are reviewed by WSU staff, to identify input or billing errors. When errors are discovered, the Contractor is notified, and the bill is amended.				

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B.3	Eliminate Shared VIMS User Accounts The Police Chief should immediately request that ITSD convert Contractor shared VIMS user accounts to individual user accounts.	10	Accept	Deputy Chief Geraldine Garcia	12-01-06
	Action plan: The Contractor uses three generic computer user accounts in order to gain access to the VIMS system. A copy of this audit will be sent to ITSD, to determine the cost of implementing individual user account systems.				
B.4	Improve VIMS Data Controls The Police Chief should request that ITSD evaluate VIMS data input and validation controls. Also, the Police Chief should create and maintain a training guide for valid data input formats and fields.	10	Accept	Deputy Chief Geraldine Garcia	12-01-06
	Action plan: The audit identifies poor controls that reduce data integrity and increase reporting errors. The audit suggests ITSD evaluate VIMS data input and validation controls. This will be forwarded to ITSD for a cost estimate for creating recommended controls.				
B.5	Monitor Contractor's Service Response Requirement The Police Chief should implement procedures to track the 30-minute arrival requirement, and reduce towing fees if the requirement is not met.	11	Accept	Deputy Chief Geraldine Garcia	12-01-06
	Action plan: The audit recognized no procedures to track the 30-minute arrival requirement for wreckers. This has not been a significant problem. ITSD will be contacted for a price estimate to establish a program to monitor the 30-minute arrival contract requirement. Current staffing levels do not allow monitoring this activity. Additional staffing will be considered. WSU is in continuous contact with police officers and with the exception of inclement weather wait times have not been identified as a significant problem.				
B.6	Monitor Small Business Economic Development Advocacy Participation Goals The Police Chief should consider the impact of noncompliance of Plan goals to the City's SBEDA participation goals. Going forward, the WSU should continuously monitor the Contractor's SBEDA goals.	12	Accept	Deputy Chief Geraldine Garcia	12-01-06
	Action plan: The Contractor is not achieving levels of participation in minority owned businesses, in alignment with the Contract and City SBEDA goals. A copy of this response will be forwarded to the City Attorneys office to explore possible legal remedies, to encourage the Contractor to comply with the Contract. If the contract is re-opened for re-negotiation, contractual language can be amended to promote compliance. Current staffing levels at the WSU do not allow for monitoring of SBEDA participation goals. The Contractor has submitted supporting documentation to show his strong efforts to comply with SBEDA goals. The contractor's response to SBEDA goals will be sent to Economic Development who oversees compliance.				


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B.7	<p>Monitor Compliance with New Driver Training, Certification and Equipment Requirements</p> <p>The WSU should implement procedures that include regular monitoring of the Contractor's training and certification records. Penalties should be imposed if the Contractor fails to perform.</p> <p>Also, the WSU should request that the Contractor provide a copy of the Daily Driver Schedule on a daily basis. The WSU Lieutenant should review and initial the Daily Driver Schedule as proof of compliance. If the required number of drivers is not scheduled, penalties should be imposed according to the Contract.</p> <p>Action plan: The audit identified the following areas of non-compliance or inadequate oversight on the part of the Contractor:</p> <ul style="list-style-type: none"> ➤ Contractor training programs and new driver certification requirements were not met ➤ The Hazardous Materials Incident Manager can't prove that all required certifications were obtained. ➤ The number of available wrecker drivers on duty on a daily basis is unknown. <p>The lack of oversight identified above is largely a result of limited staffing. Additional staffing will be acquired to satisfy the audit recommendation on oversight. The audit suggests a change in contract language to impose penalties upon the Contractor if he fails to perform, with regards to the above mentioned issues. If the contract is re-opened this could be addressed through amendment.</p>	12	Accept	Deputy Chief Geraldine Garcia	12-01-06
B.8	<p>Establish Internal Controls Over Towing Service Records</p> <p>The WSU Lieutenant should verify the sequence of TSRs upon receipt and record them in a control log. The books should be stored in a locked, secure location. Procedures should be modified to ensure that all information on the TSR is completed and all VIMS users trained on correct data input procedures. Finally, TSR adjustments should be documented and formally communicated to the Contractor.</p> <p>Action plan: The audit identified a problem with the TSR books, via their verification sequence. This problem has already been addressed. All TSR's are currently logged into an Excel program. The TSR books are stored in a locked and secured area. They are also logged. The Unit SOP's have been modified to account for these changes. The Contractor is notified "verbally" of any changes to the TSR's (a dolly charge that is removed from the bill for example). Staffing levels are not sufficient to provide written documentation to the Contractor for all transactions. The Contractor has stated he does not desire written notification and that verbal notification is sufficient.</p> <p>The audit identified concerns over adjustments to TSR's. A list of all adjustments is run daily, and a copy of each adjustment transaction document, including a supervisors approving signature, accompanies the list. These records are grouped and filed for future reference. This provides a control measure and insures no unauthorized adjustments occur. Any problem would be immediately identified when the daily comprehensive list is generated and verified against each individually signed and approved transaction.</p>	13	Accept	Deputy Chief Geraldine Garcia	12-01-06

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B.9	Monitor Timely Submission and Coverage Periods of Certificate of Insurance The Police Chief should request the Contractor to immediately provide copies of insurance certificates. WSU staff should establish a tickler file and checklist that will help them monitor submission of certificates for each coverage period. The WSU should ensure that copies are on file with all applicable City departments and request that the City's Risk Manager annually review the Contractor's coverage for adequacy.	14	Accept	Deputy Chief Geraldine Garcia	12-01-06
Action plan: The Contractor's insurance certificates are currently kept on file with the WSU. The insurance requirements are specified by the Contract. Copies of the coverage are supplied to the City Clerks Office and to City Risk Management. A copy of this response report will be forwarded to those two (2) City offices, in order that they may become aware of the audits recommendation that they annually review the Contractor's coverage for adequacy.					
B.10	Submit Audited Financial Statements to the City The Police Chief should request that the Contractor produce audited financial statements for each of the Contract's fiscal years or re-negotiate this Contract term.	14	Accept	Deputy Chief Geraldine Garcia	12-01-06
Action plan: The Contractor has failed to submit audited financial statements to the City for each year of the Contract. The Contractor stated that this is too costly. The audit recognized that the City does not have reliable financial information to ascertain the Contractor's financial strength. The Contractor has expressed concerns over releasing financial information, which is guarded information that he does want to be known to his competition. This matter will forwarded to the City Attorneys office for review and to answer how that information will be protected in order to guard the Contractor's business interests.					

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B.11	<p>Improve Wrecker Inspection Processes and Documentation</p> <p>The Police Chief should perform the following: 1) require the WSU to perform thorough wrecker inspections, 2) require the wrecker driver to sign SAPD Form 17-WI acknowledging the inspection and any failed items, 3) forward a copy of Form 17-WI to the Contractor, 4) prepare an annual master listing of all inspected equipment and deficiencies, and 5) update SOP 217 to include these new procedures.</p> <p>Action plan:</p> <p>The audit identified areas of the wrecker inspection process that need improvement:</p> <ul style="list-style-type: none"> ➤ WSU documentation of wrecker inspections are incomplete (not thorough enough) ➤ Failure to track the Contractor's fleet inspection dates ➤ Failure to get the wrecker inspection form (17-WI) signed by the wrecker driver, along with a copy of the inspection form being given to the driver. ➤ No formal records maintained to track Contractor repairs in response to failed inspections <p>The WSU currently performs wrecker inspections, and requires the wrecker driver to sign the inspection form. Staff has been instructed to verify all inspection forms are properly signed by the driver. Follow-up inspections are performed to assure that deficiencies are corrected. A master list is unnecessary, as failure by a wrecker driver to correct any problems results in direct contact between WSU staff and the Contractor, to assure that the problem is corrected. All inspection paperwork is placed in a file and is easily accessible. Most problems are immediately addressed, and if they are not addressed promptly (verified by follow-up inspection), the truck is not allowed into service. Compliance by the Contractor has been prompt and willing. The Contractor uses new trucks and new equipment, so there are few equipment deficiencies. The Contractor has done a good job regarding vehicle maintenance, to assure the safety of the public as well as that of his own drivers. Unit SOP 217 adequately covers the inspection of wreckers and equipment, and the WSU has had no problems with regards to compliance by the Contractor in this area. Inspection procedures have been address in the units Standard Operating Procedures.</p>	15	Accept	Deputy Chief Geraldine Garcia	12-01-06

SAPD appreciates the City Auditor's comments on the Wrecker Services Contract. SAPD is committed to addressing the recommendations in the audit report and the plan of action presented.

Sincerely,


William P. McManus
Chief of Police